

## Monthly Economic Update January 2002



Robert Hagedoorn, Chief Economist Montgomery County Department of Finance

This report is a monthly update to the Quarterly Economic Indicators Report, both of which are available on the internet @ http://www.co.mo.md.us/services/finance For questions, please call (240) 777-8866

➤ Economic Conditions. Due to stronger than expected consumer and government spending, GDP grew 0.2% in the 4<sup>th</sup> qtr 2001. However, similar to the previous quarter, subsequent downward revisions are expected to result in a modest contraction. Moreover, since the 5% jump in 4<sup>th</sup> qtr consumer spending was largely due to accelerated 0% financing induced car purchases, new car sales in the 1<sup>st</sup> qtr 2002 will be much smaller and dampen GDP.

Even though businesses slashed payrolls in January 2002 to a lesser degree than before, 1.25 million workers lost their job in the past six months which, added to slower wage growth and depressed equity market returns, will keep near term consumer spending growth in the very low single-digits. Also businesses continue to have operating losses that, in conjunction with comparatively expensive corporate financing, dampens capital expenditure and GDP growth in the first part of this year

There are also positive signs. The manufacturing sector stopped contracting in January 2002 – with the strongest reading of its level of activity in a year and a half. Consumer confidence continues to improve, while both construction and real estate markets remain strong, and both national and Washington leading indicators suggest a near-term economic recovery.

➤ Labor Market. Despite a national recession and decelerating payroll growth in the County, unemployment registered only 2.2% in 2001 – up slightly from the prior year. Moreover, the January unemployment rate (2.6%) is the lowest among similar sized jurisdictions in Maryland, well below the statewide average (4.1%), and less than half of the seasonally adjusted rate for the nation (5.6%).

However, the sharp drop in payroll growth in the County last year - from 5.7% growth in 2000 to 0.8% in June 2001 - and decelerating growth in resident employment - from solid 4% at the beginning of 2001 to a 0.7% decline in December - sug-

gests that unemployment will continue to rise for some time. Currently, an estimated 14,000 residents were unemployed in the 4<sup>th</sup> qtr 2001. While this creates significant hardship for those workers who lost their job during this downturn, the level remains well below the 19,000 unemployed during the 1991 recession, and at a time that the County had a considerably smaller labor force.

➤ **Real Estate.** The housing market remains strong. Nationally, the number of existing homes sold jumped sharply in December 2001, bringing the total in 2001 to a record 5.25 million. Despite the level of activity, growth was only 2.7% last year and 0.5% over the past two years - the same as in the County where the level is high but the rate of growth low.

New home sales nationwide increased 2.3% last year, with particular strength in the South (6.5%), modest growth in the West (3.5%), and weakness in both the Northeast (-8.1%) and Midwest (-2.4%).

Similar to the strong growth in house prices in the County, average prices nationwide rose 5.1% in 2001, while the median house price jumped 6.1% to \$147,500. Moreover, since the median house price grew at an even faster clip in the County (10.6%), median priced homes in Montgomery County are now 42% more expensive than the national average

> Summary. Even though current economic conditions are weak, the downturn is not nearly as severe as in previous recessions. Moreover, there are important signs that the economy has bottomed and is poised to recover soon. Some lagging indicators (notably, the labor market) may continue to weaken for some time, while other indicators (manufacturing and consumer confidence) exhibit strength. Also, both fiscal stimulus and monetary policy have been conducive to a rebound, especially in the Washington region, where increased federal employment, grants (e.g., NIH), and procurement will provide a significant boost to the regional economy.

Feating Indicators	SELECTED ECONOMIC INDICATORS	Reporting	Current	Prior Year's	Year To-Date		
National   December   1.2%   2.5%   3.5%   3.5%				•			2000
National   December   1.2%   2.5%   3.5%   3.5%	Leading Indicators						
Document Confidence Index	· · · · · · · · · · · · · · · · · · ·	December	1.2%		2.5%		-1.5%
National   Jan. 2002   2.9%   -26.4%   -9.2%   .92%   .92%   .99%	-	November	1.5%		-2.5%		0.5%
South Addrafe Region   Jan. 2002   2.49k		Y 2002	• 0				0.00
December   December   L69k   2.9%   3.4%							
National		Jan. 2002	2.4%		-23.9%		-9.9%
Washington - Raltimore CMSA   December   2.7%   2.7%   2.7%   2.4%   2.7%   2.4%   2.4%   2.7%   2.4%   2							
Core CP    National   December   2.7%   2.2%   2.2%   2.3%   2.3%   Retail Trade	National	December	1.6%		2.9%		3.4%
National   December   2.7%   2.3%   2.3%   2.3%     Retal Traile	Washington - Baltimore CMSA	November	2.2%		2.7%		3.3%
Meshington   Baltimore CMSA   November   3.6%   3.4%   7.6%							
Refull Trade							
National (sales)   December   2.9%   3.4%   7.0%	-	November	3.6%		3.0%		2.3%
Maryland (tax)   November   2,0%   4,2%   6,5%   6,6%		December	2 9%		3.4%		7.6%
Montement Country (tax)   November   20%   4.2%   6.6%    - Percent Change	· · ·						
National   Jun. 2002   132,139,000   134,462,000   135,073,000   135,208,000   135,208,000   - Percent Change   1.5%   2.9%   3.0%		November					
Percent Change	Employment						
Washington PMSA (at place)   November   2,853,800   2,813,000   2,829,700   2,750,500   3,070   1,57		Jan. 2002	132,139,000	134,462,000	135,073,000	135,208,000	135,208,000
Percent Change	e						
Mongomery County (resident)   December   483,146   486,555   38,0%   13,90   13,86		November		2,813,000		2,750,500	
Percent Change	e e	Dagambar		196 555		472 002	
Montgomery County (payroll)		December	*	460,333		473,902	
Percent Change	e	June		453,448		442.268	
National   Jan. 2002   6.3%   4.7%   4.8%   4.0%   Maryland   December   4.1%   3.3%   3.3%   3.9%   2.2%   2.3%   2.3%   Montecomery County   December   2.6%   1.5%   2.2%   2.7%   2.4%   2.3%   Montecomery County   December   2.6%   1.5%   2.2%   1.9%   1.9%					· · · · · · · · · · · · · · · · · · ·	,	
Maryland         December Washington PMSA         4.1% November Novemb	-						
Washington PMSA (November Ocounty)         November December         3.4% 2.2% 2.2% 2.2% 2.2% 2.3% 2.3% 2.3% 2.3							
Montgomery County	•						
Project Cost - Montgomery County   Total (S thousand)   December   S61,614   S57,333   \$1,353,664   \$1,172,696   \$1,172,696   - Percent Change   7.5%   15.4%   \$1,93%   \$1,	6					2.4%	
Project Cost - Montgomery County   Total (S thousand)   December   \$61,614   \$57,333   \$1,353,664   \$1,172,696   \$1,172,696   - Percent Change   \$7.5%   \$15.4%   \$-19.3%   \$1.172,696   \$1,172,696   \$1,172,696   \$1,172,696   \$1,172,696   \$1,172,696   \$1,172,696   \$1.15,7%   \$1.15,7%   \$1.15,7%   \$1.172,9%   \$3.70,9%   \$1.15,7%   \$1.172,9%   \$3.70,9%   \$1.15,7%   \$1.172,9%   \$3.70,9%   \$1.15,7		December	2.0%	1.5%	2.2%		1.9%
Total (\$ thousand)							
Residential (\$ thousand)         December Percent Change         \$29,154         \$34,578         \$682,768         \$582,335         \$582,335           - Percent Change         15,7%         17,2%         37,0%         37,0%         37,0%         \$30,361         \$590,361         \$590,361         \$590,361         - Percent Change         42,6%         13,6%         \$590,361         \$590,361         42,5%         Building Permits (Residential)         13,6%         \$590,361         42,5%         42,5%         Building Permits (Residential)         December         109,792         100,607         1,610,766         1,574,361         1,574,361         1,574,361         - Percent Change         9,1%         2,3%         2,3%         5,4%         5,4%         Mayland         December         1,867         2,202         28,412         29,417         29,417         - 29,417         - 2,4%         Mongonery County         December         46,6%         2,002         28,412         29,417         4,472         - 2,476         4,472         - 2,476         4,472         - 2,476         6,7%         6,7%         8         6,7%         8         6,7%         8         6,7%         8         1,189         2,102         1,697         1,697         1,697         1,697         1,697         1,6		December	\$61,614	\$57,333	\$1,353,664	\$1,172,696	\$1,172,696
Percent Change	- Percent Change		7.5%		15.4%		-19.3%
Non-Residential (\$ thousand)   December   \$32,460   \$22,755   \$670,896   \$590,361   \$590,361   \$- Percent Change   42.6%   13.6%   42.5%   13.6%   42.5%   13.6%   42.5%   13.6%   13.6%   42.5%   13.6%   1		December	\$29,154	\$34,578	\$682,768	\$582,335	\$582,335
Percent Change   Harmits (Residential)	e						
Building Permits (Residential)   National   December   109,792   100,607   1,610,766   1,574,361   1,574,361     - Percent Change   9,1%   2,20%   28,412   29,417   29,417     - Percent Change   18,67   2,20%   28,412   29,417   29,417     - Percent Change   15,2%   3,3%   -1,1%     Montgomery County   December   390   266   5,091   4,472   4,472     - Percent Change   46,6%   13,8%   6,7%     Building Permits (Non-Residential)     Montgomery County   December   148   133   2,10%   1,697   1,697     - Percent Change   11,3%   23,9%   28,7%     Real Estate	· · · · · · · · · · · · · · · · · · ·	December		\$22,755	,	\$590,361	
National         December         109,792         100,607         1,610,766         1,574,361         1,574,361           - Percent Change         9,1%         2,3%         2,3%         -5,4%           Maryland         December         1,867         2,202         28,412         29,417         29,417           - Percent Change         -15,2%         -3,4%         -1,1%         -1,1%           Mongomery County         December         390         266         5,091         4,472         4,472           - Percent Change         46,6%         13,8%         6,7%         6,7%           Building Permits (Non-Residential)         December         148         133         2,102         1,697         1,697           - Percent Change         11,3%         23,9%         28,7%         28,7%           Real Estate           National           Sales         December         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         5,190,000         \$139,700         \$147,500         \$139,000         \$139,000         \$139,000         \$139,000         \$14,0%           Montgomery County         Sales         December	•		42.6%		13.6%		-42.5%
Percent Change	. ,	December	109 792	100 607	1 610 766	1 574 361	1 574 361
Maryland         December         1,867         2,202         28,412         29,417         29,417           - Percent Change         -15,2%         -3,4%         -1,1%           Montgomery County         December         390         266         5,091         4,472         4,472           - Percent Change         46,6%         13,8%         6,7%           Building Permits (Non-Residential)         Wontgomery County         December         148         133         2,102         1,697         1,697           - Percent Change         11,3%         23,9%         28,7%         28,7%           Real Estate         National         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         8,4%         6,1%         2,7%         -1,8%           Modian Price         December         \$1,185         1,192         14,853         14,779         14,779           - Percent Change         -0,6%         0,5%         0,5%	- :	Весенност		100,007	· · · · · · · · · · · · · · · · · · ·	1,571,501	
Montgomery County         December         390         266         5,091         4,472         4,472           - Percent Change         46.6%         13.8%         6.7%           Building Permits (Non-Residential)         8         133         2,102         1,697         1,697           - Percent Change         11.3%         23.9%         28.7%           Real Estate         National         Sales         December         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         5.1%         2.7%         -1.8%           Median Price         December         \$151,400         \$139,700         \$147,500         \$139,000         \$139,000           - Percent Change         8.4%         6.1%         4.3%         4.3%           Montgomery County         Sales         December         1,185         1,192         14,853         14,779         14,779           - Percent Change         -0.6%         0.5%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.	=	December		2,202	28,412	29,417	29,417
Percent Change   46.6%   13.8%   6.7%	- Percent Change		-15.2%		-3.4%		-1.1%
Building Permits (Non-Residential)           Montgomery County         December         148         133         2,102         1,697         1,697           - Percent Change         11.3%         23.9%         28.7%           Real Estate         National           Sales         December         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         5.1%         2.7%         -1.8%           Median Price         December         \$151,400         \$139,700         \$147,500         \$139,000         \$139,000           - Percent Change         8.4%         6.1%         4.3%           Montgomery County           Sales         December         1,185         1,192         14,853         14,779         14,779           - Percent Change         -0.6%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000		December		266		4,472	
Montgomery County         December         148         133         2,102         1,697         1,697           Percent Change         11.3%         23.9%         28.7%           Real Estate           National         Sales         December         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         5.1%         2.7%         -1.8%           Median Price         December         \$151,400         \$139,700         \$147,500         \$139,000           - Percent Change         8.4%         6.1%         4.3%           Montgomery County         Sales         December         1,185         1,192         14,853         14,779         14,779           - Percent Change         -0.6%         0.5%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000	ε		46.6%		13.8%		6.7%
Percent Change   11.3%   23.9%   28.7%		ъ .	140	122	2.102	1.607	1.007
Real Estate           National Sales         December         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         5.1%         2.7%         -1.8%           Median Price         December         \$151,400         \$139,700         \$147,500         \$139,000         \$139,000           - Percent Change         8.4%         6.1%         4.3%           Montgomery County         Sales         December         1,185         1,192         14,853         14,779         14,779           - Percent Change         -0.6%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000		December		133		1,697	
National Sales         December         5,190,000         4,940,000         5,251,000         5,113,000	•		11.5%		23.970		26.170
Sales         December         5,190,000         4,940,000         5,251,000         5,113,000         5,113,000           - Percent Change         5.1%         2.7%         -1.8%           Median Price         December         \$151,400         \$139,700         \$147,500         \$139,000           - Percent Change         8.4%         6.1%         139,000         \$139,000           Montgomery County         Sales         December         1,185         1,192         14,853         14,779         14,779           - Percent Change         -0.6%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000							
Median Price         December         \$151,400         \$139,700         \$147,500         \$139,000         \$139,000           - Percent Change         8.4%         6.1%         4.3%           Montgomery County         8.4%         1,185         1,192         14,853         14,779         14,779           Sales         December         -0.6%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000		December	5,190,000	4,940,000	5,251,000	5,113,000	5,113,000
- Percent Change 8.4% 6.1% 4.3% Montgomery County Sales December 1,185 1,192 14,853 14,779 14,779 - Percent Change -0.6% 0.5% 0.4% Average Price December \$291,346 \$279,812 \$273,214 \$253,876 \$253,876 - Percent Change 4.1% 7.6% 4.9% Median Price December \$230,000 \$200,000 \$210,133 \$190,000 \$190,000	- Percent Change		5.1%		2.7%		
Montgomery County         Sales         December         1,185         1,192         14,853         14,779         14,779           - Percent Change         -0.6%         0.5%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000		December		\$139,700		\$139,000	
Sales         December         1,185         1,192         14,853         14,779         14,779           - Percent Change         -0.6%         0.5%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000	e		8.4%		6.1%		4.3%
- Percent Change         -0.6%         0.5%         0.4%           Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000		Dogombor	1 105	1 102	14.052	14770	14.770
Average Price         December         \$291,346         \$279,812         \$273,214         \$253,876         \$253,876           - Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000		December		1,192		14,779	
- Percent Change         4.1%         7.6%         4.9%           Median Price         December         \$230,000         \$200,000         \$210,133         \$190,000         \$190,000	=	December		\$279.812		\$253.876	
Median Price December \$230,000 \$200,000 \$210,133 \$190,000 \$190,000	_	2000000		<i>\$2.7,012</i>		\$200,070	
- Percent Change 15.0% 10.6% 2.7%		December		\$200,000		\$190,000	
	- Percent Change		15.0%		10.6%		2.7%